

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* FAIRGROVE DISTRICT LIBRARY	County* TUSCOLA	Type* LIBRARY	MuniCode* 79-8-002
Opinion Date-Use Calendar* Jun 23, 2008	Audit Submitted-Use Calendar* Sep 18, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 126,955.00
General Fund Expenditure: ?	\$ 107,101.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance: ?	\$ 133,833.00
Governmental Activities Long-Term Debt (see instructions): ?	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GARY	Last Name* ANDERSON	Ten Digit License Number* 1101005446		
CPA Street Address* 715 E. FRANK ST	City* CARO	State* MI	Zip Code* 48723	Telephone* +1 (989) 673-3137
CPA Firm Name* ANDERSON, TUCKEY, BERN	Unit's Street Address* 1959 MAIN ST	Unit's City* FAIRGROVE	Unit's Zip* 48733	

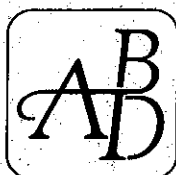
FAIRGROVE DISTRICT LIBRARY

Fairgrove, Michigan

Report on Financial Statements
(with required supplementary information)
March 31, 2008

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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June 23, 2008

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Fairgrove District Library
Fairgrove, MI 48733

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fairgrove District Library as of and for the year ended March 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fairgrove District Library's management. Our responsibility is to express an opinion about these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended and interpreted, as of March 31, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairgrove District Library as of March 31, 2008, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through v and page 8, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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FAIRGROVE DISTRICT LIBRARY
Management Discussion and Analysis
March 31, 2008

As management of the Fairgrove District Library, we offer readers of the Fairgrove District Library financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended March 31, 2008.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the district has elected to exclude the comparative information. This information will be presented in future years.

FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by approximately \$203,603 (net assets). Of this amount, approximately \$133,833 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by approximately \$22,290.
- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$133,833, all of which is available for spending.

OVERVIEW OF THE FIANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

FAIRGROVE DISTRICT LIBRARY
Management Discussion and Analysis
March 31, 2008

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the library is categorized as a governmental fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains one individual governmental fund. Information is presented separately in governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 7 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's general fund budget on page 8.

FAIRGROVE DISTRICT LIBRARY
Management Discussion and Analysis
March 31, 2008

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$203,603 at the close of the most recent fiscal year.

A portion of the Library's assets (34 percent) reflects its investment in capital assets (e.g. machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. (Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the Library does not have any outstanding debt.)

Fairgrove District Library

	<u>Governmental activities</u>
	<u>March 31, 2008</u>
Current and other assets	\$ 133,833
Capital assets	69,770
Total assets	<u>203,603</u>
Current liabilities	<u>-</u>
Net assets:	
Invested in capital assets	69,770
Unrestricted	133,833
Total net assets	<u>\$ 203,603</u>

Governmental activities. Governmental activities increased the Library's net assets by approximately \$22,290. Key elements of this increase are as follows:

FAIRGROVE DISTRICT LIBRARY
Management Discussion and Analysis
March 31, 2008

Fairgrove District Library's Changes in Net Assets

	<u>Governmental activities</u> <u>March 31, 2008</u>
Revenues:	
Program revenues:	
Charges for services	\$ 686
General revenue:	
Property Taxes:	
Levied for general purposes	81,524
Intergovernmental	2,441
Fines	33,017
Investment earnings	-
Other	9,287
Total revenues	<u>126,955</u>
Expenses:	
General government	85,701
Library materials	527
Depreciation	18,437
Total expenses	<u>104,665</u>
Increase in net assets	22,290
Net assets, beginning of year	181,313
Net assets, end of year	<u>\$ 203,603</u>

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balance of \$133,833, an increase of \$19,854.

General Fund Budgetary Highlights

The final budget was not changed from the original budget.

FAIRGROVE DISTRICT LIBRARY
Management Discussion and Analysis
March 31, 2008

Capital Assets

The Library's investment in capital assets for its governmental and business type activities as of March 31, 2008 amounts to \$69,770 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture.

Major capital asset events during the current fiscal year included the following:

Fairgrove District Library (net of depreciation)	
	<u>Governmental activities</u> <u>March 31, 2008</u>
Library Materials	\$ 45,024
Furniture & Fixtures	2,034
Equipment	9,081
Building Improvements	13,631
	<u>\$ 69,770</u>

Additional information on the Library's capital assets can be found in Note 7 on page 7 of this report.

Economic Factors and Next Year's Budgets and Rates

Fairgrove District Library's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public.

Request for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Fairgrove District Library, 1959 Main Street, Fairgrove, MI 48733.

BASIC FINANCIAL STATEMENTS

FAIRGROVE DISTRICT LIBRARY
Government Fund Balance Sheet/Statement Of Net Assets
March 31, 2008

	<u>Governmental Fund Type</u>	<u>GASB No. 34 Adjustments (Note 3)</u>	<u>Library as a Whole Statement of Net assets- Full-Accrual Basis</u>
	<u>General</u>		
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and savings deposits	\$ 128,083	-	\$ 128,083
Taxes receivable	5,750	-	5,750
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	133,833	-	133,833
 CAPITAL ASSETS			
Capital assets, net of accumulated depreciation		\$ 69,770	69,770
	<hr/>	<hr/>	<hr/>
TOTAL CAPITAL ASSETS	-	69,770	69,770
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 133,833</u>	<u>\$ 69,770</u>	<u>\$ 203,603</u>
	<hr/>	<hr/>	<hr/>
 <u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	-
	<hr/>	<hr/>	<hr/>
 <u>FUND BALANCE/NET ASSETS</u>			
Invested in capital assets, net of related debt		\$ 69,770	\$ 69,770
Designated	\$ 4,788	(4,788)	-
Unrestricted	129,045	4,788	133,833
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCE/NET ASSETS	133,833	69,770	203,603
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCE/ NET ASSETS</u>	<u>\$ 133,833</u>	<u>\$ 69,770</u>	<u>\$ 203,603</u>
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

FAIRGROVE DISTRICT LIBRARY
Statement of Governmental Fund Revenue, Expenditures And
Changes In Fund Balance/Statement of Activities
For the Year Ended March 31, 2008

	<u>Governmental Fund Type</u>		<u>Library as a Whole Statement of Net Assets- Full-Accrual Basis</u>
	<u>General</u>	<u>GASB No. 34 Adjustments (Note 3)</u>	
REVENUES:			
State Aid	\$ 2,441		\$ 2,441
Taxes	81,524		81,524
Services	686		686
Fines	33,017		33,017
Miscellaneous	9,287		9,287
	<u>126,955</u>	<u>-</u>	<u>126,955</u>
TOTAL REVENUES	<u>126,955</u>	<u>-</u>	<u>126,955</u>
EXPENDITURES:			
Salaries and employee benefits	61,483		61,483
Library materials	16,882	\$ (16,355)	527
Operational	21,906		21,906
Legal and accounting	850		850
Memorial and donation expenses	-		-
Miscellaneous	1,060	-	1,060
Capital outlay	4,920	(4,518)	402
Depreciation	-	18,437	18,437
	<u>107,101</u>	<u>(2,436)</u>	<u>104,665</u>
TOTAL EXPENDITURES	<u>107,101</u>	<u>(2,436)</u>	<u>104,665</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>19,854</u>	<u>2,436</u>	<u>22,290</u>
FUND BALANCE/NET ASSETS - BEGINNING	<u>113,979</u>	<u>67,334</u>	<u>181,313</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 133,833</u>	<u>\$ 69,770</u>	<u>\$ 203,603</u>

The accompanying notes are an integral part of the financial statements.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2008

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS:

The Fairgrove District Library (Library) was organized under Public Act 24 of 1989 on July 1, 1999. Previously, the Library was a special revenue fund of the Township of Fairgrove. The Library is governed by an appointed board from two service areas: the Township of Fairgrove, which appoints two members, and the Akron-Fairgrove Schools, which appoints three members.

A. ADOPTION OF NEW ACCOUNTING STANDARDS:

During the fiscal period 2008, the Library adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issue June 1999; GASB Statement 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus, an amendment to GASB Statement No 21 and No. 34, issued June 2001, and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. These statements require the Library to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make some changes to the footnotes.

The following table shows beginning net assets related for the effects of implementation of GASB Statement No. 34:

Fund balance at March 31, 2007 – governmental funds	\$ 113,979
Net capital assets (restated)	<u>67,334</u>
Restated net assets – April 1, 2007	<u><u>\$ 181,313</u></u>

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds as major funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

Cash and Investments – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

Property Taxes – Property taxes levied by the Library are collected by various municipalities and periodically remitted to the Library. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is mid-February, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Library books, periodicals, and videos are depreciated using the straight-line method over a useful live of 5 years.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2008

NOTE 3 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

Total Fund Balance – Modified-accrual Basis	\$ 133,833
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	<u>69,770</u>
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Total Net Assets – Full-accrual Basis	<u><u>\$ 203,603</u></u>
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Net Change in Fund Balances – Modified-accrual Basis	\$ 19,854
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Amounts reported in the statement of net activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities;

Library books and videos	16,355
Depreciation expense	(18,437)
Capital Outlay	<u>4,518</u>

Change in Net Assets – Full-accrual Basis	<u><u>\$ 22,290</u></u>
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FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2008

NOTE 4 – CASH AND EQUIVALENTS:

Deposits are carried at cost. Deposits of Fairgrove District Library are at a bank in the name of Fairgrove District Library.

The Governmental Accounting Standards Board Statements No. 3 risk disclosures for the General Fund cash deposits are as follows:

GENERAL FUND CARRYING AMOUNT

March 31, 2008

Cash	<u>\$128,083</u>
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At year-end, the carrying amount of the Library's deposits was \$128,083 and the bank balances was \$134,388, all of which was covered by federal depository insurance. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 5 – BUDGET INFORMATION:

BUDGET PROCESS:

The Library Board follows these procedures in establishing the budget data reflected in the financial statements:

1. Prior to April 1, the Library Board develops a proposed operating budget for the fiscal year beginning April 1. The operating budget includes the proposed expenditures and the means for financing these expenditures.
2. Public hearings are held to obtain resident-taxpayer comments.
3. The annual operating budget for the Library is adopted at the meeting held in March each year.
4. The Library Board, at its public meetings held throughout the year, amends the operating budget to meet the changing needs of the Library as they occur. The adopted budget is on a functional category basis.

ENCUMBRANCES:

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Library does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

NOTE 6 – BUILDING LEASE:

The Library has entered into a five-year lease agreement, through March 31, 2010, with the Township of Fairgrove for a portion of one of its buildings for an annual rate of \$1. The Library is responsible for two-thirds of the maintenance and insurance costs.

FAIRGROVE DISTRICT LIBRARY
Notes To The Financial Statements
For The Years Ended March 31, 2008

NOTE 7 – CAPITAL ASSETS:

Capital asset activity of the Library was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Capital assets being depreciated				
Building Improvements	\$ 18,464	\$ -	\$ -	\$ 18,464
Equipment	11,828	2,717	-	14,545
Furniture & Fixtures	1,400	1,801	-	3,201
Library Materials	85,505	16,355	-	101,860
Total capital assets, being depreciated	117,197	20,873	-	138,070
Less accumulated depreciation for:				
Building Improvements	3,025	1,808	-	4,833
Equipment	3,270	2,195	-	5,465
Furniture & Fixtures	887	280	-	1,167
Library books and videos	42,681	14,154	-	56,835
Total accumulated depreciation	49,863	18,437	-	68,300
Total net capital assets	\$ 67,334	\$ 2,436	\$ -	\$ 69,770

Depreciation for the fiscal year ended March 31, 2008 amounted to \$18,437. The Library determined that it was impractical to allocate depreciation to the various library activities as the assets serve multiple functions.

NOTE 8 – RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above-described activities.

NOTE 9 – PENSION PLAN:

The Library has no pension plan.

NOTE 10 – FUND BALANCE - DESIGNATED:

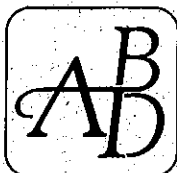
On June 19, 2002, the board approved opening a separate savings account for donation and memorial money. This money is to be used for purchasing capital improvements. As of March 31, 2008 the designated fund balance was \$4,788.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRGROVE DISTRICT LIBRARY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
State aid	\$ 2,700	\$ 2,700	\$ 2,441	\$ (259)
Taxes	78,600	78,600	81,524	2,924
Services	850	850	686	(164)
Fines	35,500	35,500	33,017	(2,483)
Miscellaneous	9,900	9,900	9,287	(613)
TOTAL REVENUES	<u>127,550</u>	<u>127,550</u>	<u>126,955</u>	<u>(595)</u>
EXPENDITURES:				
Salaries and employee benefits	63,250	63,250	61,483	1,767
Library materials	18,700	18,700	16,882	1,818
Operational	33,350	33,350	21,906	11,444
Legal and accounting	1,000	1,000	850	150
Memorial and donation expenses	-	-	-	-
Miscellaneous	1,250	1,250	1,060	190
Capital outlay	10,000	10,000	4,920	5,080
TOTAL EXPENDITURES	<u>127,550</u>	<u>127,550</u>	<u>107,101</u>	<u>20,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	19,854	19,854
FUND BALANCE - APRIL 1	<u>113,979</u>	<u>113,979</u>	<u>113,979</u>	<u>-</u>
FUND BALANCE - MARCH 31	<u>\$ 113,979</u>	<u>\$ 113,979</u>	<u>\$ 133,833</u>	<u>\$ 19,854</u>

See the accompanying notes.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

June 23, 2008

To the Members of the Board
Fairgrove District Library

We have audited the financial statements of the governmental activities, and the major fund of Fairgrove District Library for the year ended March 31, 2008, and have issued our report thereon dated June 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 19, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Fairgrove District Library are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Fairgrove District Library changed its accounting policies related to full accrual financial statements by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 34, in 2008. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 1. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

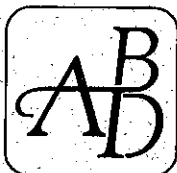
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Fairgrove District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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June 23, 2008

To the Board of Fairgrove District Library:

In planning and performing our audit of the financial statements of Fairgrove District Library as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Fairgrove District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. During the course of our audit, we observed the following significant deficiency:

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the Library segregate duties whenever possible.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Repeat Comment

Finding 2008-1

After considering the qualifications of the accounting personnel of Fairgrove District Library, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Library, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

In addition, during our audit, we noted certain matters involving other operational matters that are presented for your consideration. This letter does not affect our report dated June 23, 2008 on the financial statements of Fairgrove District Library. Our comments are summarized as follows:

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Members of the Board
June 23, 2008
Page 2

Employee Benefits

During the course of the year, small gifts were given to the employees. The Internal Revenue Service requires that all gifts that are more than de minimis be reported on the employees W-2.

This communication is intended solely for the information and use of management, Fairgrove District Library, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants